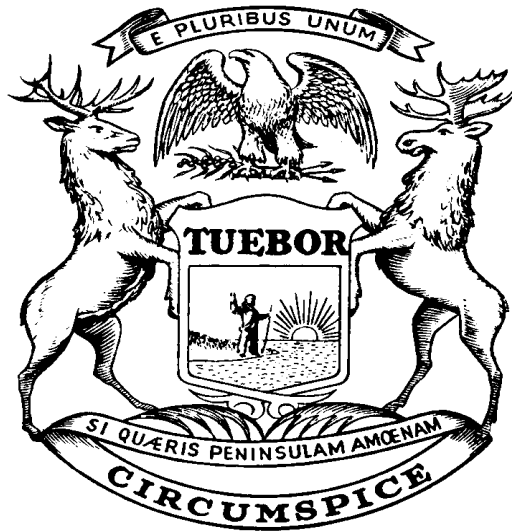


State of Michigan

THE GOVERNOR'S
FY 2003-04
BUDGET PROPOSAL

Review and Analysis



prepared by the

HOUSE
FISCAL
AGENCY

Mitchell E. Bean, Director
March 2003

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March 2003

TO: Members of the Michigan House of Representatives

We are pleased to provide you with this ***Review and Analysis of the Governor's FY 2003-04 Budget Proposal***.

House Fiscal Agency analysts prepared the budget summaries and analyses for each department/agency with assistance from our budget assistants. The Consensus Revenue section was prepared by HFA's economists. Production of this report was coordinated by Jeanne Dee, Administrative Assistant.

House Fiscal Agency staff and their areas of responsibility are listed on the inside back cover of this publication. Please feel free to contact them, or me, if you have questions or need further information.

Mitchell E. Bean, Director

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GLOSSARY

Frequently-Used State Budget Terms

Adjusted Gross

Total net amount of all line item appropriations; gross appropriations less (or minus) interdepartmental grants (IDGs) and intradepartmental transfers (IDTs)

Boilerplate

Specific language sections contained in an appropriations act which direct, limit or restrict line item expenditures, and/or require reports

Budget Stabilization Fund (BSF)

The countercyclical economic and budget stabilization fund -- also known as the "rainy day" fund

Federal Revenues

Federal grant or matchable revenues dedicated to specific programs

General Fund/General Purpose (GF/GP)

The state's primary operating fund; the portion of the state's General Fund that does not include restricted revenues

Gross Appropriations, Gross

Summation of all applicable line item spending authorizations

Interdepartmental Grant (IDG)

Revenue or funds received from another state department (usually for a service the receiving department provides)

Intradepartmental Transfer (IDT)

Transfers or funds being provided from one appropriation unit to another in the same department

Lapses

Unspent/unobligated funds remaining in line item accounts at the end of the fiscal year

Line Items

Notations in an appropriations bill which establish spending authorities for a particular program or function (may be for a single purpose or for multiple purposes)

Local Revenue

Revenues from local units of government

Other State Restricted, or Restricted Funds

State revenue dedicated to a specific fund; revenue which results from state mandates or initiatives

Private Funds

Revenues from non-public entities such as rents, royalties or interest payments, payments from hospitals, payments from individuals, and gifts and bequests

School Aid Fund (SAF)

The primary funding source for K-12 schools and Intermediate School Districts (ISDs)

State Restricted, or Restricted Revenue

Non-general fund monies used for specific programs pursuant to the Constitution or statute; revenues dedicated to a specific fund; also known as deducts

Work Project

An account established to allow for certain specific unspent funds to be carried over from one fiscal year to the next

FY 2003-04

OVERVIEW

Executive Recommendation

FY 2003-04 OVERVIEW

Executive Recommendation

The Fiscal Year (FY) 2003-04 Executive Recommendation includes \$37.9 billion in adjusted gross appropriations. Funding sources for the Executive Recommendation include \$17.1 billion in state restricted funds, \$11.2 billion in federal funds, \$8.6 billion in General Fund/General Purpose (GF/GP) revenues, and \$1.0 billion in local and private sources.

This Executive Recommendation would decrease adjusted gross appropriations 1.4% and decrease GF/GP appropriations 2.4% from the FY 2002-03 year-to-date (YTD) level. Figure 1 (following) shows the distribution of GF/GP and Adjusted Gross as recommended by the Executive for FY 2003-04. Detail is provided on page 7 for appropriations to be made from tobacco settlement funds (\$307 million) as recommended by the Executive.

This Executive Recommendation is based on consensus revenue estimates agreed to at the January 14, 2003, Consensus Revenue Conference. These estimates included GF/GP net revenue of \$8,191.5 million and School Aid Fund (SAF) net revenue of \$10,854.7 million. Consensus revenue estimates are discussed briefly in this Overview (page 18) and in detail in the Consensus Revenues section of this document.

In addition to available resources identified by the Consensus Revenue Estimating Conference, the Executive recommends that fees be increased \$119 million to replace GF/GP spending. Changes to the tax code are also recommended which the Executive estimates would eliminate 15 unintended tax loopholes. Michigan Department of Treasury estimates that the recommended changes to the tax code would increase GF/GP revenue \$108.6 million and increase SAF revenue \$20.3 million.

An Executive-recommended funding shift would replace a \$198.4 million transfer from GF/GP to the SAF with a one-time balance of \$198.6 million from a revenue sharing reserve account. Total revenue sharing appropriations would be 3% below FY 2002-03 levels. This proposal would increase available GF/GP revenue \$268.8 million.

Distribution of tobacco settlement revenue received from the national settlement would change as well. The current distribution to the Merit Award Trust Fund would decrease from 75% of the total to 34% and distribution to the Tobacco Settlement Trust Fund would increase from 25% to 66%.

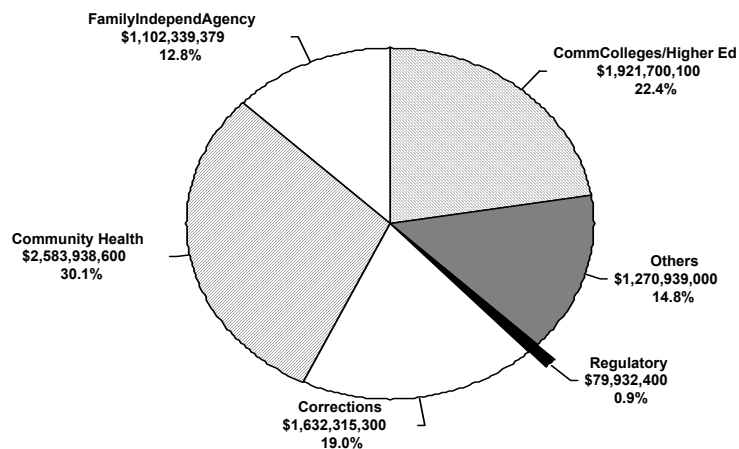
Another important component of the Executive recommendation is wage and benefit concessions from state employees. Increases in department budgets to fund wage increases from contractual obligations are not recommended. The Executive is asking for concessions of approximately \$250 million from state employees in lieu of layoffs.

This Overview includes a review of resources used in the Executive recommendation and proposed appropriations from tobacco settlement funds. It also includes a brief review of consensus revenue estimates, new/increased fees proposed by the Governor, and boilerplate provisions. Details are contained in the individual budget sections that follow. Overall content of the budget is summarized on page 18, and reported in Tables 1 through 5 (pages 19 through 23) of this publication.

Following this Overview, individual sections explain spending proposals by department or major budget area. Each section includes a comparison of FY 2002-03 YTD appropriations with the FY 2003-04 Executive recommendation, a brief overview, and an analysis and discussion of major budget and boilerplate issues.

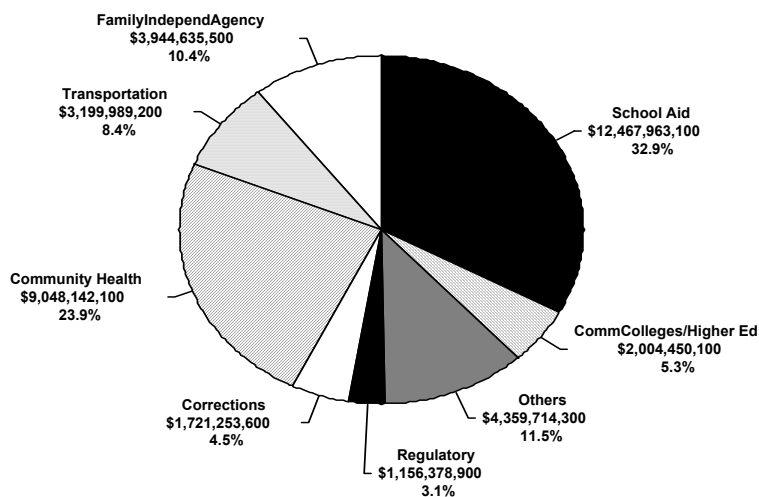
Figure 1

**Executive Recommendation
FY 2003-04 GF/GP**



Total GF/GP: \$8,591,164,779

**Executive Recommendation
FY 2003-04 Adjusted Gross**



Total Adjusted Gross: \$37,902,526,800

"Others" includes:

Capital Outlay
Judiciary

Education
Safety & Defense

Resource Protection
General Government

RESOURCES USED IN EXECUTIVE BUDGET RECOMMENDATION

Resources used to fund General Fund/General Purpose, and School Aid Fund expenditures in the executive budget recommendation are reported below. An explanation of each source is included.

GENERAL FUND/GENERAL PURPOSE (MILLIONS OF DOLLARS)

FY 2003-04 Consensus Revenue Estimate	\$8,191.5
Closing Tax Loopholes	\$108.6
Sale of Plaza Building, Detroit	\$2.0
Michigan Employment Security Contingent Fund Withdrawal	\$10.0
Decrease Local Revenue Sharing Payments 3% Below FY 2002-03 Level	\$268.8
Reduce Sales Tax Revenue directed to Comprehensive Transportation Fund	<u>\$10.6</u>
Total	\$8,591.5

FY 2003-04 Consensus Revenue Estimate:

Revenue estimates agreed to by the Consensus Conference in January 2003.

Closing Tax Loopholes:

The Administration proposes 15 changes to the tax code that they characterize as: unintended tax exemptions, out-of-state business tax shelters, tax loopholes created by choice of business form or filing status, or issues of non-resident tax fairness.

Sale of the Plaza Building:

State owned property in Detroit with an estimated value of \$2.0 million.

Michigan Employment Security Contingent (MESC) Fund Withdrawal:

Primarily penalty and interest charges imposed on employers delinquent in making unemployment contributions.

Decrease Local Revenue Sharing Payments 3% below FY 2002-03 Level:

Total combined constitutional and statutory payments to local units based on sales tax collections would be 3% below current appropriated level.

Reduce Sales Tax Percentage to Comprehensive Transportation Fund:

By changing the percentage of sales tax revenue collected from the sale of auto related items, GF/GP would receive approximately \$10.6 million in additional revenue in FY 2003-04.

**SCHOOL AID BUDGET
(MILLIONS OF DOLLARS)**

Beginning Fund Balance	\$0.0
FY 2003-04 Consensus Revenue Estimate	\$10,854.7
Transfer \$198.6 Million Surplus From Revenue Sharing Reserve	\$198.6
Increased Lottery Revenue From New Games	\$50.0
Closing Tax Loopholes	\$20.3
Federal Aid	\$1,244.3
Refinance School Bond Loan Fund	<u>\$100.0</u>
Total	\$12,467.9

FY 2003-04 Consensus Revenue Estimate:

Revenue estimates agreed to by the Consensus Conference in January 2003.

Transfer \$198.6 Million Surplus From Revenue Sharing Reserve:

Transfer \$198.6 million of one-time surplus created by a statutory change in the way constitutional revenue sharing payments are accrued.

Increased Lottery Revenue From New Games:

The administration proposes two new lottery games: video keno and break-open tickets.

Closing Tax Loopholes:

The Administration proposes 15 changes to the tax code that they characterize as: unintended tax exemptions, out-of-state business tax shelters, tax loopholes created by choice of business form or filing status, or issues of non-resident tax fairness.

Federal Aid:

Primarily federal grants and federal money appropriated by the (federal) Elementary and Secondary Education Act.

Refinance School Bond Loan Fund:

With the cooperation of school districts, the administration proposes to refinance existing School Bond Loan Fund debt at lower interest rates that are expected to generate \$100 million for the School Aid Fund.

EXECUTIVE RECOMMENDATION: PROPOSED APPROPRIATIONS FROM TOBACCO SETTLEMENT FUNDS

<u>Department and Program</u>	<u>Trust Fund</u>	<u>Amount</u>
<u>Attorney General</u>		
Legal Services:	Tobacco Settlement	\$400,000
<u>Career Development</u>		
Council of Michigan Foundations: Grant to the Council is redistributed to community foundations across the state for local initiatives dealing with youth and senior health issues.	Tobacco Settlement	\$1,000,000
<u>Community Health</u>		
Office of Services to the Aging - Respite Care: Respite services provide temporary companionship, care or assistance to an elderly person who needs constant attention, there by providing respite to the regular at-home caregiver.	Tobacco Settlement	5,000,000
Medical Services - EPIC Program: Provides coverage for prescription medications to senior citizens with incomes up to 200% of the poverty level.	Tobacco Settlement	30,000,000
Medical Services - Long-Term Care Services: Supports the personal needs allowance increase from \$30 to \$60 per month for Medicaid patients in nursing homes.	Tobacco Settlement	5,000,000
Medicaid Base Funding: Replaces state GF/GP match required for ongoing Medicaid program funding needs.	Tobacco Settlement	157,500,000
<u>Higher Education</u>		
Michigan Merit Award Program: Provides merit scholarships to high school graduates with a high qualifying score on the MEAP test.	Merit Award	65,100,000
Tuition Incentive Program: Two-phase program to encourage low-income student to graduate from high school; phase I provides qualifying students with up to two years of free tuition at a community college; phase II provides qualifying students with up to \$2,000 toward tuition at a community college or four-year university.	Merit Award	9,300,000
Nursing Scholarship Program: New program to be administered by Michigan Higher Education Assistance Authority to provide awards to nursing students who agree to work in Michigan after licensure.	Merit Award	4,000,000
<u>Michigan Strategic Fund</u>		
Health and Aging Research and Development Initiative: Provide grants to Michigan universities and private research facilities to conduct research (including collaborative research) in the area of life sciences; commercialize innovations discovered or developed through the research.	Tobacco Settlement	10,000,000

OVERVIEW

<u>Department and Program</u>	<u>Trust Fund</u>	<u>Amount</u>
<u>Treasury</u>		
Michigan Merit Awards Commission/Michigan Educational Assessment Program (MEAP) Test Administration: Administration of the Michigan Merit Award Scholarship provided to eligible high school students. Administration of the MEAP test given to 4th, 5th, 7th, 8th, and 11th grades as required by the revised school code.	Merit Award	18,134,200
Department of Information Technology	Merit Award	393,000
Tuition Incentive Program: Administration of the Tuition Incentive Program.	Merit Award	363,400
Michigan Education Savings Plan: Create a savings plan to give Michigan families an incentive to save for higher education through a combination of tax deductions and state matching grants.	Merit Award	<u>800,000</u>
TOTAL Tobacco Settlement Appropriations		\$306,990,600

EXECUTIVE RECOMMENDATION: PROPOSED FEE CHANGES FOR FY 2003-04

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
AGRICULTURE				
Nursery Stock Inspections			Yes	
Commercial Pesticide Application Fees	\$10	\$50	Yes	Applicator certification from \$10 to \$50; Private registered applicator \$10 to \$50
Pet Shop License Fees	\$150	\$200; \$100 renewal	Yes	Renewal
Animal Control and Animal Protection Shelters Registration Fees	New	\$25	Yes	
Cervidae Facility Registration Fees	\$500; \$150	\$600; \$210	Yes	Ranch (Class III) from \$500 to \$600 Registration from \$150 to \$210
Dead Animal Handlers License Fees			Yes	
Horse Riding Stables and sales Barn License Fees	\$25	\$100	Yes	
Right to Farm Inspection Fees	New	Cost of Inspection	Yes	
Metrology Lab Fees			No	Commission action required
Analytical Testing Fees			No	Commission action required
Livestock Dealer/ Broker/ Agent License Fees	\$5	\$50—\$800	Yes	New 4-class license structure
CONSUMER AND INDUSTRY SERVICES				
Health Systems Fees and Collections				Fees are imposed on various health facilities to help cover the costs of licensing/ registration activities
Hospitals - Per Bed	\$8.28	\$10	Yes	
Nursing Home - Per Bed	\$2.20	\$10	Yes	
Freestanding Surgical Outpatient Facilities	\$238	\$450	Yes	
Psychiatric Hospitals-Per Application	\$600	\$600	Yes	
Psychiatric Hospitals-Per Bed	\$7.50	\$10	Yes	
Construction Permit Opening Surveys	Capped at \$30,000	Capped at \$60,000	Yes	
Substance Abuse	\$0	\$100	Yes	
EMS Vehicles	\$25	\$35	Yes	

OVERVIEW

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Corporation Fees				Annual report filing fees imposed on different types of business organizations.
Domestic Non-Profit Corporations, Annual Report Fee	\$10	\$20	Yes	
Foreign Non-Profit Corporations, Annual Report Fee	\$10	\$20	Yes	
Limited Liability Corporations (LLC), Annual Report Fee	\$15	\$25	Yes	
Foreign LLC, Annual Report Fee	\$15	\$25	Yes	
Foreign Professional LLC, Annual Report Fee	\$65	\$75	Yes	
Professional LLC, Annual Report Fee	\$65	\$75	Yes	
Domestic Profit Corporations, Annual Report Fee	\$15	\$25	Yes	
Foreign Profit Corporations, Annual Report Fee	\$15	\$25	Yes	
Securities Fees				Fees imposed on securities agents, broker/dealers, and investment advisors who are required to register with the state.
Broker Dealer Registration	\$250	\$300	Yes	
Agent Registration	\$30	\$65	Yes	
Investment Advisor Registration	\$150	\$200	Yes	
Registration for Unexpired Port of the Year	\$100	\$125	Yes	
Agent Transfer Fee	\$10	\$20	Yes	
Licensing and Regulation Fees: Imposed on individuals practicing in a number of occupational and professional fields which are regulated under statute.			<i>Traditionally, funding has been used to support licensing/registration costs and monitoring/enforcement activities handled through the relevant professional board in the department.</i>	
<i>Public Accounting</i>				
License Fee, per year	\$25	\$40	Yes	
Registration, per year:				
Individual	\$10	\$15	Yes	
Firm, Corporation or Branch Office	\$25	\$35	Yes	

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
<i>Professional Engineer</i>				
Application Processing Fee	\$30	\$35	Yes	
License Fee, per year	\$20	\$40	Yes	
<i>Land Surveyor</i>				
Application Processing Fee	\$30	\$35	Yes	
<i>Landscape Architect</i>				
Application Processing Fee	\$30	\$35	Yes	
<i>Barber Examiners</i>				
Application Processing Fee	\$15	\$20	Yes	Student Barber, Barber, Student Instructor, Barber Instructor
Barbershop	\$40	\$50	Yes	
Barber College	\$50	\$75	Yes	
License Fees, per year:				
Barber	\$15	\$30	Yes	
Student Instructor (Limited Instructor)	\$15	\$30	Yes	
Barber Instructor	\$25	\$40	Yes	
Barbershop	\$30	\$40	Yes	
Student Barber	\$15	\$30	Yes	
Demonstrator's or Demonstration Temporary Permit	\$10	\$15	Yes	
<i>Collection Agency</i>				
Application Processing Fees: Agency Nonowner Manager	\$25	\$35	Yes	
<i>Professional Community Planner</i>				
Application Processing Fee	\$30	\$35	Yes	
<i>Cosmetology</i>				
Application Processing Fees	\$10	\$15	Yes	Cosmetologist, Manicurist, Natural Hair Culturist, Esthetician, Electrologist, Instructor
License Fees, per year:				
Cosmetologist	\$12	\$24	Yes	
Manicurist	\$12	\$24	Yes	

OVERVIEW

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Natural Hair Culturist	\$12	\$24	Yes	
Esthetician	\$12	\$24	Yes	
Electrologist	\$12	\$24	Yes	
Instructor	\$12	\$24	Yes	
Student Registration or Transfer Fee	\$5	\$15	Yes	
<i>Personnel Agency</i>				
License Fees, per year	\$30	\$40	Yes	Employment or Consulting Agent
<i>Forester</i>				
Registration Fee, per year	\$25	\$40	Yes	
<i>Hearing Aid Dealer</i>				
License Fees, per year	\$20	\$40	Yes	Trainee
<i>Real Estate Broker</i>				
Application Processing Fees	\$20	\$35	Yes	Brokers and Associate Brokers
License Fees, per year:				
Brokers and Associate Brokers	\$18	\$36	Yes	
Salespersons	\$13	\$26	Yes	
Branch Office Fee	\$10	\$20	Yes	
<i>Real Estate Appraiser</i>				
Application Processing Fees	\$25	\$35	Yes	Certified General Real Estate Appraiser, Certified Residential Real Estate Appraiser, State Licensed Real Estate Appraiser, Limited Real Estate Appraiser
<i>Residential Builder</i>				
License Fee, per year:				
Builder, M&A Contractor	\$30	\$40	Yes	
Sales, Branch Office	\$30	\$40	Yes	
<i>Mortuary Science</i>				
License Fees, per year:				
Mortuary Science	\$30	\$40	Yes	
Embalmer or Funeral Director	\$30	\$40	Yes	
Resident Trainee	\$15	\$30	Yes	
<i>Nursing Home Administrator</i>				

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Temporary License	\$25	\$40	Yes	
<i>Athletic Board of Control</i>				
Application Processing Fees:				
Prof. Boxer License and Passport	\$25	\$35	Yes	
All Other Licenses	\$15	\$30	Yes	
License Fee, per year:				
Prof. Boxer, Prof. Wrestler, Second	\$10	\$20	Yes	
Judge, Physician, Announcer, Timekeeper	\$15	\$30	Yes	
Boxing Club	\$25	\$40	Yes	
Duplicate Boxer Passport Fee	\$15	\$30	Yes	
<i>Ocularist</i>				
Application Processing Fee	\$15	\$35	Yes	
Registration Fee, per year:				
Ocularist	\$20	\$40	Yes	
Apprentice	\$10	\$20	Yes	

COMMUNITY HEALTH

Hospital Quality Assurance Assessment Fee	1.2% of each hospital's non-Medicare revenues	Unknown	Yes	Enacted in 2002 PA 562, but still awaiting federal approval; amendments may be necessary; fee amount is not yet determined
Nursing Home Assurance Assessment Fee	\$2.36 per bed/day	Unknown	Yes	Enacted in 2002 PA 303, but still awaiting federal approval; amendments may be necessary; fee amount is not yet determined
Health Maintenance Organization Quality Assurance Assessment Fee	6.0 % of each HMO's non-Medicare revenues	6.0 % of non-Medicare revenues	Maybe	Enacted in 2002 PA 304, and amended by 2002 PA 621, but still awaiting federal approval; no change proposed in Executive Budget, but legislation may be needed to gain federal approval
Pharmacy Quality Assurance Assessment Fee	New		Yes	Fee amount is not yet determined

OVERVIEW

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Crime Victims Rights Fund See Judiciary budget fee changes for complete information on proposed consolidation of multiple court-imposed assessments.	See Comments *	See Comments	Yes	Impact on Crime Victims Rights Fund is intended to be revenue neutral *Persons Convicted of a: Felony \$60; Serious Misdemeanor \$50; Specified Misdemeanor: \$50; Juvenile Offense: \$20

ENVIRONMENTAL QUALITY

Stormwater Discharge Fees	New Fee	\$260 to \$6,000	Yes	New fee on public and private discharges into the subsurface
National Pollution Discharge Elimination Permit Fees (NPDES Fees)	New Fee	Variable: See Comments	Yes	New fee would be assessed on facilities producing and discharging liquid wastes into Michigan surface waters. Increase would provide nearly \$6.9 million in new revenue. Funds would be provided for proposed compliance program improvements; depends on nature and volume of discharge
Solid Waste Fees	New Fee	Variable	Yes	New fee structure for Michigan landfills will generate \$3.8 million in new revenue
Laboratory User Fees	Variable	Variable: See Comments	No	Revised fee structure for laboratory services would require payment for sample follow-up testing, cleanup site sample tests, and other activities subsidized by GF/GP appropriations. Depends on types of tests run and volume of material tested

Note: Justice System Assessment/State Minimum Costs proposals initiated by Judiciary, but incorporates assessments funding programs in several other budgets (see comments)

JUDICIARY

Assessments/Costs: Traffic Civil Infractions

Michigan Justice Training Fund Assessment	\$5		Yes	State Police budget; proposed for consolidation into new Justice System Assessment
Secondary Road Patrol and Training Fund Assessment	\$10	See comments	Yes	State Police budget; proposed for consolidation into new Justice System Assessment
Highway Safety Fund Assessment	\$5	See comments	Yes	State Police budget; proposed for consolidation into new Justice System Assessment

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
Jail Reimbursement Program Assessment	\$5	See comments	Yes	Corrections budget; proposed for consolidation into new Justice System Assessment
State Minimum Costs: Traffic Civil Infractions	\$9	See comments	Yes	Proposed for consolidation into new Justice System Assessment
Justice System Assessment: Traffic Civil Infractions	New	\$35.00	Yes	Net \$1 increase from \$34 in existing assessments/state costs (minimal revenue increase); local units could possibly raise local costs by up to \$9
Costs: Non-Traffic Civil Infractions				
Justice System Assessment: Non-Traffic Civil Infractions	\$9	\$10.00	Yes	\$1 increase corresponding to increase for traffic civil infractions
Assessments/Costs: Criminal Offenses				
Forensic Laboratory Fund Assessment	\$150	See comments	Yes	Assessed on criminal offenders in cases involving forensic test or CSC offense; State Police budget; proposed for consolidation into State Minimum Costs
DNA Assessment	\$60	See comments	Yes	Assessed on criminal offenders required to submit DNA sample for database entry; State Police budget; proposed for consolidation into State Minimum Costs
Crime Victims Rights Assessment	\$20; \$50; \$60	See comments	Yes	Categories: \$20 (juvenile), \$50 (serious/specified misdemeanor), \$60 (felony); Community Health budget; proposed for consolidation into State Minimum Costs
State Minimum Costs: Misdemeanors	\$9	See comments	Yes	Proposed for consolidation into larger State Minimum Costs amounts
State Minimum Costs: Misdemeanor (non-crime victims rights offense)	New	\$45.00	Yes	Substantial revenue increase expected from consolidation; increased funding to Court Equity Fund, Drug Court Grant Program, and forensic/DNA costs
State Minimum Costs: Misdemeanor (crime victim rights offense)	New	\$60.00	Yes	Substantial revenue increase expected from consolidation; increased funding to Court Equity Fund, Drug Court Grant Program, and forensic/DNA costs

OVERVIEW

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
State Minimum Costs: Felony	New	\$100.00	Yes	Substantial revenue increase expected from consolidation; increased funding to Court Equity Fund, Drug Court Grant Program, and forensic/DNA costs
Court Filing Fees				
Supreme Court filing fee	\$250	\$375	Yes	Increase to General Fund (not retained in Judiciary budget)
Court of Appeals filing fee	\$250	\$375	Yes	Increase to Court of Appeals operations
Circuit Court filing fee	\$100	\$150	Yes	Increase to Court Equity Fund (CEF), Judicial Technology Improvement Fund (JTIF), Community Dispute Resolution Program (CDRP), Court Fee Fund (CFF), and court funding units
Probate Court filing fee	\$100	\$150	Yes	Increase to CEF, JTIF, and CFF
District Court filing fee: Small claims (under \$600)	\$17	\$20	Yes	Increase to JTIF and court funding units
District Court filing fee: Small claims (\$600-\$1,750)	\$32	\$40	Yes	Increase to JTIF, CDRP, CFF, and court funding units
District Court filing fee: Small claims (\$1,751-\$3,000)	\$32	\$60	Yes	Increase to JTIF, CDRP, CFF, State Court Fund, and court funding units
District Court filing fee: General civil and summary disposition (under \$600)	\$17	\$20	Yes	Increase to JTIF and court funding units
District Court filing fee: General civil and summary disposition (\$600-\$1,750)	\$32	\$40	Yes	Increase to JTIF, CDRP, CFF, and court funding units
District Court filing fee: General civil and summary disposition (\$1,751-\$10,000)	\$52	\$60	Yes	Increase to JTIF, CDRP, CFF, and court funding units
District Court filing fee: General civil and summary disposition (\$10,001-\$25,000)	\$100	\$150	Yes	Increase to CEF, JTIF, CDRP, CFF, and court funding units
<i>NOTE for filing fee increases: Listed fee increases are those with significant revenue impacts; various other fee adjustments are proposed, largely with intent of equalizing fee structure/earmarking (contact House Fiscal Agency for complete list).</i>				

<u>Fee</u>	<u>Current Rate</u>	<u>Proposed Rate</u>	<u>Legislation Required?</u>	<u>Comments</u>
<i>NATURAL RESOURCES</i>				
State Park Motor Vehicle Permits	\$4 Daily \$20 Annual	\$6 Daily \$24 Annual	Yes	The Natural Resources Commission would be authorized to establish park fees. Current law gives this authority to the Legislature
State Park Camping Fees	Variable	Variable Increase	No	Natural Resources Commission is authorized to establish camping fees and amounts charged to concession operators at state parks
<i>STATE</i>				
Commercial Look-up Fee	\$6.55	\$7	Yes	Executive Recommendation for FY 2003-04 includes this fee increase in the boilerplate of the General Government appropriation bill. MCL 28.297(2) allows the fee to be specified by the Legislature annually
<i>STATE POLICE</i>				
Driver's License: Operator (New/Renewal)	\$13	\$25	Yes	Increase to fund trooper costs
Driver's License: Chauffeur (New/Renewal)	\$21	\$35	Yes	Increase to fund trooper costs
Driver's License: Commercial (New/Renewal)	\$20	\$35	Yes	Increase to fund trooper costs
Insurance Assessment	New	0.35% of insurance premiums	Yes	Assessment would apply to homeowners, farm owners, and commercial property insurance; assessment to fund Fire Marshal, Fire Fighters Training Council, and related costs

CONSENSUS REVENUE ESTIMATES

State law requires that the State Treasurer or the State Budget Director and the Directors of the Senate and House Fiscal Agencies meet at least twice a year to review and revise GF/GP and School Aid Fund revenue forecasts. A Consensus Revenue Estimating Conference was held on January 14, 2003, to revise estimated revenues for FY 2002-03 and reach a consensus on initial FY 2003-04 revenues. Executive Budget recommendations for FY 2003-04 are based on this consensus agreement which anticipates that net GF/GP and SAF revenues will increase by 0.55% between fiscal years 2002-03 and 2003-04.

BOILERPLATE PROVISIONS

The Executive proposal eliminates a large number of nonstandard boilerplate provisions which are part of current-year appropriations acts. These nonstandard provisions generally are included from year to year to convey legislative intent to Administrative officials implementing the appropriations acts. Many omitted nonstandard boilerplate provisions are noted in the budget summaries that appear in the body of this report.

EXECUTIVE RECOMMENDATION: SUMMARY TABLES

Table 1 (page 19) details the Executive Recommendation by source of funds. When interdepartmental grants and intradepartmental transfers are deducted, Gross appropriations of \$38.6 billion reduce to \$37.9 billion in Adjusted Gross appropriations.

State Restricted	\$17,095,643,300
GF/GP	\$8,591,164,779
Federal	\$11,184,389,871
Local and Private	<u>\$1,031,328,850</u>
Adjusted Gross	\$37,902,526,800

Table 2 (page 20) compares Adjusted Gross appropriations for FY 2002-03 YTD to the FY 2003-04 Executive Recommendation. Appropriations decrease from \$38.4 billion in FY 2002-03 to \$37.9 billion in FY 2003-04—a \$522.9 million or 1.4% decrease.

Table 3 (page 21) compares GF/GP appropriations for FY 2002-03 YTD to the FY 2003-04 Executive Recommendation. Appropriations decrease from \$8.8 billion in FY 2002-03 to \$8.6 billion in FY 2003-04—a decrease of \$209.9 million or 2.4%.

Table 4 (page 22) compares the number of Full-time Equated (FTE) employees (classified and unclassified) for FY 2002-03 to the FY 2003-04 Executive Recommendation. The Executive Recommendation decreases total FTE positions from 62,927.7 in FY 2002-03 to 59,472.5 in FY 2003-04—a decrease of 3,455.2 FTEs or 5.5% from the current year. Each FTE is equivalent to 2,088 hours of employee compensated time (including overtime, annual leave, and used sick leave) during the year.

Table 5 (page 23) shows the Executive Recommendation for payments to local units of government compared to the amount of spending from state sources provided in each budget. Pursuant to Article IX, Section 30 of the *Constitution of the State of Michigan of 1963*, at least 48.97% of state spending from state resources must be paid to all units of local government. The Executive Recommendation provides for \$16.0 billion in state spending to local units of government, 62.2% of the estimated \$25.7 billion in state spending from state resources—well within the constitutional requirement.

OVERVIEW

TABLE 1

FY 2003-04 EXECUTIVE RECOMMENDATION BY SOURCE OF FUNDS

Department/Major Budget Area	Gross	IDGs and IDTs	Adjusted Gross	Federal Funds	Local Revenue	Private Revenue	State Restricted	General Fund/ General Purpose
Community Colleges	289,013,100	0	289,013,100	0	0	0	0	289,013,100
Education	112,825,000	1,000,000	111,825,000	64,479,400	4,744,200	701,400	12,507,500	29,392,500
Higher Education	1,715,437,000	0	1,715,437,000	4,400,000	0	0	78,350,000	1,632,687,000
School Aid*	12,467,963,100	0	12,467,963,100	1,244,363,100	0	0	11,223,600,000	0
EDUCATION	\$14,585,238,200	\$1,000,000	\$14,584,238,200	\$1,313,242,500	\$4,744,200	\$701,400	\$11,314,457,500	\$1,951,092,600
Attorney General	59,638,600	11,119,200	48,519,400	7,564,400	0	0	9,945,100	31,009,900
Civil Rights	13,117,200	0	13,117,200	934,000	0	0	0	12,183,200
Civil Service	33,853,900	4,300,000	29,553,900	4,779,100	1,700,000	150,000	14,872,200	8,052,600
Executive Office	4,859,500	0	4,859,500	0	0	0	0	4,859,500
Information Technology	355,689,300	355,689,300	0	0	0	0	0	0
Legislature	123,441,500	1,662,900	121,778,600	0	0	400,000	2,495,100	118,883,500
Management and Budget	171,687,800	103,716,800	67,971,000	440,800	0	0	31,201,300	36,328,900
State	175,501,000	94,752,300	80,748,700	1,319,500	0	100	66,447,400	12,981,700
Treasury: Operations	366,453,900	14,278,600	352,175,300	44,196,100	910,800	0	257,411,700	49,656,700
Treasury: Debt/Revenue Sharing	1,485,366,400	0	1,485,366,400	0	0	0	1,412,958,000	72,408,400
GENERAL GOVERNMENT	\$2,789,609,100	\$585,519,100	\$2,204,090,000	\$59,233,900	\$2,610,800	\$550,100	\$1,795,330,800	\$346,364,400
Community Health	9,117,346,900	69,204,800	9,048,142,100	4,890,865,600	806,552,500	59,458,000	707,327,400	2,583,938,600
Corrections	1,724,507,200	3,253,600	1,721,253,600	27,798,400	391,100	0	60,748,800	1,632,315,300
Family Independence Agency	3,945,691,300	1,055,800	3,944,635,500	2,697,630,071	65,097,100	9,472,150	70,096,800	1,102,339,379
HUMAN SERVICES	\$14,787,545,400	\$73,514,200	\$14,714,031,200	\$7,616,294,071	\$872,040,700	\$68,930,150	\$838,173,000	\$5,318,593,279
Consumer and Industry Services	590,197,700	111,100	590,086,600	283,831,500	0	770,000	285,815,300	19,669,800
Career Development	466,880,000	0	466,880,000	418,100,400	15,011,900	2,396,300	6,664,700	24,706,700
Michigan Strategic Fund Agency	99,513,200	100,900	99,412,300	52,953,300	0	853,100	10,050,000	35,555,900
REGULATORY	\$1,156,590,900	\$212,000	\$1,156,378,900	\$754,885,200	\$15,011,900	\$4,019,400	\$302,530,000	\$79,932,400
Agriculture	89,244,000	10,857,400	78,386,600	6,801,700	0	1,127,600	39,053,300	31,404,000
Environmental Quality	343,957,400	14,142,900	329,814,500	129,169,500	0	435,700	147,153,500	53,055,800
Natural Resources	242,142,900	3,437,900	238,705,000	27,806,600	0	1,871,400	180,203,500	28,823,500
RESOURCE PROTECTION	\$675,344,300	\$28,438,200	\$646,906,100	\$163,777,800	\$0	\$3,434,700	\$366,410,300	\$113,283,300
Military and Veterans Affairs	103,097,500	200,000	102,897,500	40,627,900	0	1,870,700	23,800,100	36,598,800
State Police	412,286,600	17,882,600	394,403,800	55,292,300	4,506,600	0	103,363,400	231,241,500
SAFETY AND DEFENSE	\$515,384,100	\$18,082,800	\$497,301,300	\$95,920,200	\$4,506,600	\$1,870,700	\$127,163,500	\$267,840,300
Capital Outlay	595,083,700	2,000,000	593,083,700	202,652,000	42,789,600	0	41,340,000	306,302,100
History, Arts, and Libraries	58,786,300	137,500	58,648,800	9,322,600	0	577,400	2,308,800	46,440,000
Judiciary	252,492,900	4,633,500	247,859,400	3,806,500	2,898,700	842,500	78,995,300	161,316,400
Transportation	3,199,989,200	0	3,199,989,200	965,255,100	5,800,000	0	2,228,934,100	0
ALL OTHERS	\$4,106,352,100	\$6,771,000	\$4,099,581,100	\$1,181,036,200	\$51,488,300	\$1,419,900	\$2,351,578,200	\$514,058,500
TOTAL APPROPRIATIONS	\$38,616,064,100	\$713,537,300	\$37,902,526,800	\$11,184,389,871	\$950,402,500	\$80,926,350	\$17,095,643,300	\$8,591,164,779

*School Aid figures include previously enacted amounts.

OVERVIEW

TABLE 2

FY 2003-04 APPROPRIATIONS

FY 2003-04 Executive Recommendation Compared with FY 2002-03 Year-to-Date

ADJUSTED GROSS

DEPARTMENT/ MAJOR BUDGET AREA	FY 2002-03 YEAR-TO-DATE	FY 2003-04 EXECUTIVE RECOMMEND	FY 2003-04 vs 2002-03	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	309,808,094	289,013,100	(20,794,994)	-6.7%
Education	215,154,016	111,825,000	(103,329,016)	-48.0%
Higher Education	1,831,501,735	1,715,437,000	(116,064,735)	-6.3%
School Aid*	12,583,380,100	12,467,963,100	(115,417,000)	-0.9%
EDUCATION	\$14,939,843,945	\$14,584,238,200	(\$355,605,745)	-2.4%
Attorney General	50,435,483	48,519,400	(1,916,083)	-3.8%
Civil Rights	13,623,900	13,117,200	(506,700)	-3.7%
Civil Service	25,554,000	29,553,900	3,999,900	15.7%
Executive Office	5,021,500	4,859,500	(162,000)	-3.2%
Information Technology	0	0	0	0.0%
Legislature	123,657,100	121,778,600	(1,878,500)	-1.5%
Management and Budget	75,679,811	67,971,000	(7,708,811)	-10.2%
State	82,469,961	80,748,700	(1,721,261)	-2.1%
Treasury: Operations	353,164,397	352,175,300	(989,097)	-0.3%
Treasury: Debt/RevenueShare	1,530,086,400	1,485,366,400	(44,720,000)	-2.9%
GENERAL GOVERNMENT	\$2,259,692,552	\$2,204,090,000	(\$55,602,552)	-2.5%
Community Health	9,140,237,648	9,048,142,100	(92,095,548)	-1.0%
Corrections	1,682,348,331	1,721,253,600	38,905,269	2.3%
Family Independence Agency	4,036,185,600	3,944,635,500	(91,550,100)	-2.3%
HUMAN SERVICES	\$14,858,771,579	\$14,714,031,200	(\$144,740,379)	-1.0%
Consumer and Industry Services	549,069,264	590,086,600	41,017,336	7.5%
Career Development	458,111,700	466,880,000	8,768,300	1.9%
Michigan Strategic Fund Agency	136,782,500	99,412,300	(37,370,200)	-27.3%
REGULATORY	\$1,143,963,464	\$1,156,378,900	\$12,415,436	1.1%
Agriculture	83,088,800	78,386,600	(4,702,200)	-5.7%
Environmental Quality	390,669,361	329,814,500	(60,854,861)	-15.6%
Natural Resources	251,359,347	238,705,000	(12,654,347)	-5.0%
RESOURCE PROTECTION	\$725,117,508	\$646,906,100	(\$78,211,408)	-10.8%
Military and Veterans Affairs	103,128,808	102,897,500	(231,308)	-0.2%
State Police	386,690,548	394,403,800	7,713,252	2.0%
SAFETY AND DEFENSE	\$489,819,356	\$497,301,300	\$7,481,944	1.5%
Capital Outlay	605,557,300	593,083,700	(12,473,600)	-2.1%
History, Arts, and Libraries	69,225,636	58,648,800	(10,576,836)	-15.3%
Judiciary	239,884,000	247,859,400	7,975,400	3.3%
Transportation	3,093,591,400	3,199,989,200	106,397,800	3.4%
ALL OTHERS	\$4,008,258,336	\$4,099,581,100	\$91,322,764	2.3%
TOTAL APPROPRIATIONS	\$38,425,466,740	\$37,902,526,800	(\$522,939,940)	-1.4%

*School Aid figures include previously reported amounts

TABLE 3

FY 2003-04 APPROPRIATIONS

FY 2003-04 Executive Recommendation Compared with FY 2002-03 Year-to-Date

GENERAL FUND / GENERAL PURPOSE				
DEPARTMENT/ MAJOR BUDGET AREA	FY 2002-03 YEAR-TO-DATE	FY 2003-04 EXECUTIVE RECOMMEND	FY 2003-04 vs 2002-03	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	307,512,112	289,013,100	(18,499,012)	-6.0%
Education	29,018,216	29,392,500	374,284	1.3%
Higher Education	1,741,466,933	1,632,687,000	(108,779,933)	-6.2%
School Aid*	198,413,500	0	(198,413,500)	-100.0%
EDUCATION	\$2,276,410,761	\$1,951,092,600	(\$325,318,161)	-14.3%
Attorney General	32,363,383	31,009,900	(1,353,483)	-4.2%
Civil Rights	12,689,900	12,183,200	(506,700)	-4.0%
Civil Service	9,285,700	8,052,600	(1,233,100)	-13.3%
Executive Office	5,021,500	4,859,500	(162,000)	-3.2%
Information Technology	0	0	0	0.0%
Legislature	120,726,700	118,883,500	(1,843,200)	-1.5%
Management and Budget	39,247,311	36,328,900	(2,918,411)	-7.4%
State	15,876,161	12,981,700	(2,894,461)	-18.2%
Treasury: Operations	55,723,597	49,656,700	(6,066,897)	-10.9%
Treasury: Debt/Revenue	19,586,400	72,408,400	52,822,000	269.7%
GENERAL GOVERNMENT	\$310,520,652	\$346,364,400	\$35,843,748	11.5%
Community Health	2,416,210,412	2,583,938,600	167,728,188	6.9%
Corrections	1,599,803,231	1,632,315,300	32,512,069	2.0%
Family Independence Agency	1,115,085,079	1,102,339,379	(12,745,700)	-1.1%
HUMAN SERVICES	\$5,131,098,722	\$5,318,593,279	\$187,494,557	3.7%
Consumer and Industry Services	32,900,464	19,669,800	(13,230,664)	-40.2%
Career Development	26,572,800	24,706,700	(1,866,100)	-7.0%
Michigan Strategic Fund Agency	40,426,100	35,555,900	(4,870,200)	-12.0%
REGULATORY	\$99,899,364	\$79,932,400	(\$19,966,964)	-20.0%
Agriculture	36,773,700	31,404,000	(5,369,700)	-14.6%
Environmental Quality	66,653,161	53,055,800	(13,597,361)	-20.4%
Natural Resources	41,624,447	28,823,500	(12,800,947)	-30.8%
RESOURCE PROTECTION	\$145,051,308	\$113,283,300	(\$31,768,008)	-21.9%
Military and Veterans Affairs	38,328,308	36,598,800	(1,729,508)	-4.5%
State Police	277,389,448	231,241,500	(46,147,948)	-16.6%
SAFETY AND DEFENSE	\$315,717,756	\$267,840,300	(\$47,877,456)	-15.2%
Capital Outlay	289,166,900	306,302,100	17,135,200	5.9%
History, Arts, and Libraries	58,451,636	46,440,000	(12,011,636)	-20.5%
Judiciary	174,721,000	161,316,400	(13,404,600)	-7.7%
Transportation	0	0	0	0.0%
ALL OTHERS	\$522,339,536	\$514,058,500	(\$8,281,036)	-1.6%
TOTAL APPROPRIATIONS	\$8,801,038,099	\$8,591,164,779	(\$209,873,320)	-2.4%

*School Aid figures include previously reported amounts

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TABLE 4

FULL-TIME EQUATED POSITIONS*

FY 2003-04 Executive Recommendation Compared with FY 2002-03 Year-to-Date

DEPARTMENT/ MAJOR BUDGET AREA	YEAR-TO-DATE FY 2002-03	FY 2003-04 EXECUTIVE RECOMMEND	FY 2003-04 vs. FY 2002-03	
			AMOUNT DIFFERENT	PERCENT DIFFERENT
Community Colleges	0.0	0.0	0.0	0.0%
Education	442.1	433.1	(9.0)	-2.0%
Higher Education	1.0	0.0	(1.0)	0.0%
School Aid	0.0	0.0	0.0	0.0%
EDUCATION	443.1	433.1	(10.0)	-2.0%
Attorney General	592.5	588.5	(4.0)	-0.7%
Civil Rights	163.5	163.5	0.0	0.0%
Civil Service	201.5	201.5	0.0	0.0%
Executive Office	84.2	84.2	0.0	0.0%
Information Technology	1,771.4	1,769.4	(2.0)	0.0%
Legislature	0.0	0.0	0.0	0.0%
Management and Budget	854.5	819.0	(35.5)	-4.2%
State	1,853.8	1,853.8	0.0	0.0%
Treasury: Operations	1,861.5	1,876.5	15.0	0.8%
Treasury: Debt/Revenue Sharing	0.0	0.0	0.0	0.0%
GENERAL GOVERNMENT	7,382.9	7,356.4	(26.5)	-0.4%
Community Health	5,672.3	4,672.2	(1,000.1)	-17.6%
Corrections	18,843.9	18,308.7	(535.2)	-2.8%
Family Independence Agency	12,501.1	10,771.6	(1,729.5)	-13.8%
HUMAN SERVICES	37,017.3	33,752.5	(3,264.8)	-8.8%
Consumer and Industry Services	4,012.4	4,001.0	(11.4)	-0.3%
Career Development	1,095.0	1,089.0	(6.0)	-0.5%
Michigan Strategic Fund	231.5	231.5	0.0	0.0%
REGULATORY	5,338.9	5,321.5	(17.4)	-0.3%
Agriculture	635.5	569.0	(66.5)	-10.5%
Environmental Quality	1,596.7	1,622.7	26.0	1.6%
Natural Resources	2,081.5	2,088.5	7.0	0.3%
RESOURCE PROTECTION	4,313.7	4,280.2	(33.5)	-0.8%
Military and Veterans Affairs	1,079.0	1,079.0	0.0	0.0%
State Police	3,448.5	3,337.5	(111.0)	-3.2%
SAFETY AND DEFENSE	4,527.5	4,416.5	(111.0)	-2.5%
Capital Outlay	0.0	0.0	0.0	0.0%
History, Arts, and Libraries	247.5	254.5	7.0	2.8%
Judiciary	582.5	582.5	0.0	0.0%
Transportation	3,074.3	3,075.3	1.0	0.0%
ALL OTHERS	3,904.3	3,912.3	8.0	0.2%
TOTAL FULL-TIME EQUATED POSITIONS	62,927.7	59,472.5	(3,455.2)	-5.5%

*Includes classified, unclassified, and nonlegislative exempt positions.

Table 5

STATE SPENDING FROM STATE SOURCES PAID TO LOCAL GOVERNMENTS
FY 2003-04 Executive Recommendation

DEPARTMENT/ MAJOR BUDGET AREA	Spending from State Sources	State Spending to Local Government Units	% of State Spending from State Sources as Payment to Locals
Community Colleges	289,013,100	289,013,100	100.0%
Education	41,900,000	19,597,000	46.8%
Higher Education	1,711,037,000	0	0.0%
School Aid	11,223,600,000	11,220,737,000	100.0%
EDUCATION	\$13,265,550,100	\$11,529,347,100	86.9%
Attorney General	40,955,000	0	0.0%
Civil Rights	12,183,200	0	0.0%
Civil Service	22,924,800	0	0.0%
Executive Office	4,859,500	0	0.0%
Information Technology	0	0	0.0%
Legislature	121,378,600	0	0.0%
Management and Budget	67,530,200	0	0.0%
State	79,429,100	69,800	0.1%
Treasury: Operations	307,068,400	99,931,700	32.5%
Treasury: Debt/Revenue Sharing	1,485,366,400	1,412,080,000	95.1%
GENERAL GOVERNMENT	\$2,141,695,200	\$1,512,081,500	70.6%
Community Health	3,291,266,000	1,187,922,600	36.1%
Corrections	1,693,064,100	84,723,800	5.0%
Family Independence Agency	1,172,436,179	192,628,700	16.4%
HUMAN SERVICES	\$6,156,766,279	\$1,465,275,100	23.8%
Consumer & Industry Services	305,485,100	17,187,400	5.6%
Career Development	31,371,400	0	0.0%
Michigan Startegic Fund Agency	45,605,900	0	0.0%
REGULATORY	\$382,462,400	\$17,187,400	4.5%
Agriculture	70,457,300	3,461,200	4.9%
Environmental Quality	200,209,300	16,920,500	8.5%
Natural Resources	209,027,000	15,723,100	7.5%
RESOURCE PROTECTION	\$479,693,600	\$36,104,800	7.5%
Military and Veterans Affairs	60,398,900	120,000	0.2%
State Police	334,604,900	20,302,758	6.1%
SAFETY AND DEFENSE	\$395,003,800	\$20,422,758	5.2%
Capital Outlay	347,642,100	20,060,000	5.8%
History, Arts, and Libraries	48,748,800	19,495,200	40.0%
Judiciary	240,311,700	124,506,800	51.8%
Transportation	2,228,934,100	1,234,759,000	55.4%
ALL OTHER	\$2,865,636,700	\$1,398,821,000	48.8%
TOTALS	\$25,686,808,079	\$15,979,239,658	62.2%

